

Observations from the Field

Changes and Considerations in a Dynamic Logistics Environment

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Three Observations

- New supply chain structures can require air cargo service.
- Increased competition from ocean carrier/truck alliances is potentially emerging on international routes.
- Some markets may be underserved by the air cargo industry.

The Rise of the "Master" DC



International/Master DC



Regional DCs



Auto Dealerships



Back Up Supply via
Integrated Carrier

A New Alignment is Emerging

A converging of trends and conditions

- Huge potential market in door-to-door international goods movement.
- The Class I railroads have limited capacity and have/are renegotiating their rates with major ocean carriers for inland movements.
 - As a result, more transloading of ocean containers to domestic truck trailers is occurring.
- Trucks are the major substitute for air cargo domestically.
- Its time definite delivery; not necessarily speed.

New Ocean/Truck Alliances

The Result: Potentially Greater Competition for International Air Cargo

- J.B. Hunt/Matson Navigation Alliance for China cargo.
- Schneider National move into transloading and international movements.
- Conway Freight/APL.
- UPS at the ports.



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A photograph of a fish market stall. In the foreground, several large fish, likely salmon, are laid out on a bed of crushed ice. Handwritten signs on sticks are placed among the fish, advertising items like 'FRESH WILD ALASKAN KING SALMON \$8.99/lb', 'HEILD-TIMA MONK-FISH!', 'BLUE MARLIN', 'YELLOWFIN TUNA', 'SHORRFISH STEAKS', and 'SEA SCALLOP'. In the background, other market stalls and people are visible under bright overhead lights.

Potentially Overlooked Markets

- What market niches are best served by air cargo?
 - Time critical, low weight, high value
- Where are gaps emerging?
 - Temperature controlled
- A fish tale.

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Moving Seafood to Market

- USDA – US per capital seafood consumption is anticipated the fastest growing food sector.
- High-end seafood products require temperature controlled movement and air service for long distances.
- Domestically, passenger carriers offering less of this service.
- Integrated carriers generally don't have temperature controlled facilities or trucks
- Does this equal an opportunity?

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Wrap Up

- The supply chain and logistics industry has and will continue to be dynamic.
 - The air cargo industry will need to be equally dynamic.
- Industry partnerships and products are constantly evolving.
 - Emerging alliances can create new competition or maybe some opportunities.
- Traditional and emerging opportunities exist for air cargo.
 - What products meet the profile and maybe underserved?